

DIVERSITY AND INCLUSION

# SUPPLIER DIVERSITY REPORT

CALIFORNIA'S INSURANCE COMPANIES SHIRK CONTRACTING WITH MINORITIES

Danielle Beavers • Diversity and Inclusion Director

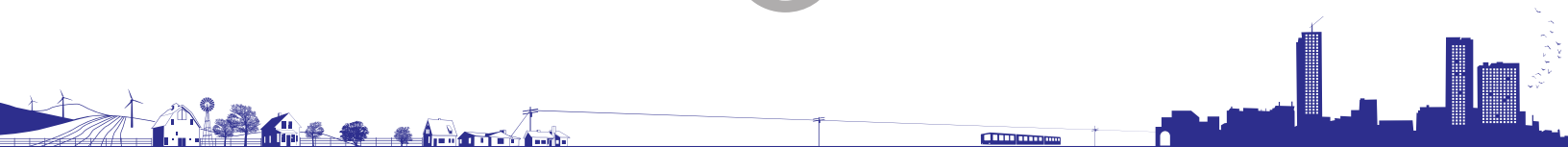


DIVERSITY AND INCLUSION

# SUPPLIER DIVERSITY REPORT

CALIFORNIA'S INSURANCE COMPANIES SHIRK CONTRACTING WITH MINORITIES

Danielle Beavers • Diversity and Inclusion Director



# ACKNOWLEDGEMENTS

## About the Greenlining Institute

Founded in 1993, The Greenlining Institute envisions a nation where communities of color thrive and race is never a barrier to economic opportunity. Because people of color will be the majority of our population by 2044, America will prosper only if communities of color prosper. Greenlining advances economic opportunity and empowerment for people of color through advocacy, community and coalition building, research, and leadership development. We work on a variety of major policy issues, from the economy to environmental policy, civic engagement and many others, because economic opportunity doesn't operate in a vacuum. Rather than seeing these issues as being in separate silos, Greenlining views them as interconnected threads in a web of opportunity.

## About the Diversity and Inclusion Program

The Greenlining Institute's Diversity and Inclusion program leads the organization's workforce and supplier diversity advocacy through policy, coalition building, and research. It advances a concerted agenda across our core policy concentrations of Economic Equity, Environmental Equity, Bridges to Health, Energy and Telecommunications, Philanthropy, Insurance, and Technology.

## Author Biography

**Danielle Beavers**, Diversity and Inclusion Director

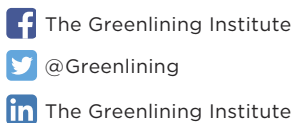
As the Diversity and Inclusion Director, Danielle advocates for the greater inclusion of people of color across Greenlining's five major policy areas. For Danielle, every issue is an economic issue; decisionmakers must utilize the lived experiences of communities to ensure economic recovery and prosperity for the entire nation. To this effect, she regularly advises corporations and their regulators on metrics to best measure workforce and supplier diversity. This includes leading Greenlining's work with the federal Offices of Minority and Women Inclusion and serving on the California Department of Insurance's Diversity Task Force. She received her B.A. from Stanford University in Comparative Studies in Race and Ethnicity with Honors.

## Editorial:

**Bruce Mirken**, Media Relations Director, The Greenlining Institute  
**Tram Nguyen**

## Design:

**Vandy Ritter Design**, San Francisco  
**Leonna Spilman**, Communications Coordinator, The Greenlining Institute



# TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY</b>	4
<b>INTRODUCTION</b>	5
Supplier Diversity Policy in California	
<i>Telecommunications and Utilities</i>	
<i>Insurance</i>	
<b>METHODOLOGY</b>	7
Insurance Groups and Specialties	
<b>RESULTS</b>	9
Ethnic Breakdown	
<i>African American Business Enterprises</i>	
<i>Asian American Business Enterprises</i>	
<i>Latino Business Enterprises</i>	
<i>Native American Business Enterprises</i>	
<i>Multiethnic Business Enterprises</i>	
Contract Breakdown by Number of Suppliers, Size, and Industry	
<i>Number of Suppliers and Contract Size</i>	
<i>Spending by Industry and Contract Size</i>	
<b>FINDINGS AND RECOMMENDATIONS</b>	14
Overall Findings	
Company-Specific Findings	
Recommendations	
<b>APPENDIX A</b>	17
Companies and Groups Featured in this Report	
<b>APPENDIX B</b>	19
Companies that Spend Zero Dollars with Diverse Businesses in California	
<b>APPENDIX C</b>	20
Companies that Do Not Track Procurement with Diverse Suppliers	
<b>APPENDIX D</b>	20
California Spending with Individual MBEs	
<b>APPENDIX E</b>	20
California Spending by Industry and Contract Size	
<b>SOURCES</b>	22

## EXECUTIVE SUMMARY

- **Insurance impacts the lives of all Americans, both directly and through the companies' purchase of large amounts of goods and services.** Fortunately, California's policymakers recognized the economic implications of this critical industry and its potential to uplift the state's diverse communities. Under AB 53, insurers that collect over \$100 million in premiums in California must now disclose their spending with minority, women, disabled veteran, and LGBTQ business enterprises. In 2014, 226 individual companies met this threshold.
- **Too many insurers fail to submit complete data, leaving stakeholders with incomplete information.** Current law does not penalize companies that submit partial data or even none at all. Effectively, this creates a loophole that allows companies to cherry-pick what they disclose. Many leading insurers still lack basic procurement metrics, despite their significant spending and AB 53's requirements.
- **Companies that submitted data for 2014 spent \$23.44 billion in California, and minority businesses received \$729 million in contracts, or 3.11 percent.** This report analyzes what the 10 largest insurers, defined by premiums, spent with minority business enterprises.
- **Greenlining's analysis of the top 10 insurers revealed a wide range in spending and significant data deficiencies.** California minority business enterprises received \$105 million in total, with spending ranging from just \$302,326 (Prudential) to \$38.58 million (MetLife). Median spending was \$7.67 million. Half of the top 10 insurers do not track their total procurement for California, so we cannot tell what share of contracts went to minority business enterprises. Two of these insurers do not track MBEs by ethnicity.
- **Analyzing MBE spending by ethnicity shows shocking disparities.** Of the \$105 million the top 10 insurers spent with MBEs, just 0.57 percent (\$604,020) went to African Americans, 59.41 percent (\$62.55 million) was spent with Asian Americans, 12.33 percent (\$12.99 million) with Latinos, 0.30 percent (\$312,990) went to Native Americans, and 6.52 percent (\$6.86 million) was spent with multiethnic business enterprises. Because both neither Allstate nor AEGON track MBEs by ethnicity, over 20.87 percent (\$21.97 million) is unaccounted for.
- **AB 53 expires (or "sunsets") in 2019; California's policymakers must make this critical initiative permanent.** AB 53's temporary nature, short lifespan, and lack of enforcement action undermine its long-term potential. As a majority-minority state, California must take proactive measures to promote economic development and lower unemployment in diverse communities.
- **Insurers must learn from the successes of California's utilities in supplier diversity.** Like the insurance industry, utilities also struggled with their supplier diversity programs early on. Over the past 30 years, however, that industry became the "gold standard" for supplier diversity in the nation, with many companies spending over 40 percent with diverse business enterprises. Insurers must take the initiative to connect with and learn from these experienced trailblazers.

## INTRODUCTION

The success of California is determined by the success of its people. In this "majority-minority" state, people of color must access pathways to economic prosperity. Typically, these opportunities exist through quality jobs that create intergenerational wealth. Industry plays a key role in this job creation, but not solely through direct employment. Business procurement, or outside contracting, generates powerful economic activity and supports external jobs. To maintain operations, corporations must consistently buy goods and services from a wide breadth of businesses, generating powerful ripples through the economy. This economic ripple — or supply chain — should fully include and benefit minority business enterprises. Because these MBEs are more likely to hire locally and employ people of color, they serve as critical conduits for economic development.

### Insurance Business in California

California ranks first out of all 50 states for the largest number of diverse suppliers, including women-, minority-, disabled veteran-, and LGBT business enterprises.

California is the largest insurance market in the United States. Insurers collect \$259 billion annually in premiums.

[www.mbda.gov/sites/default/files/MBEStateData\\_20120127.pdf](http://www.mbda.gov/sites/default/files/MBEStateData_20120127.pdf)

Fortunately, California's legislature has recognized industry's role in communities of color and implemented policies to promote supplier diversity, or the proactive practice of creating equal contracting opportunities for diverse businesses. California's robust insurance industry deserves particular attention in this regard. From health to automotive, we are required to purchase insurance and thus support this industry. **In 2014, insurance companies collected over \$259 billion in premiums from Californians — just over Chile's gross domestic product for that same year.<sup>1</sup>**

This report analyzes how California's top 10 insurance groups contracted with minority business enterprises in 2014.

### Supplier Diversity Policy in California

Despite strong growth and prevalence in California qualified minority business enterprises face significant barriers to breaking through the "good old boys network" of corporate contracting.

As a result, policymakers acted to ensure communities of color similarly reap the economic development benefits from corporate contracting in two key industries.

### Telecommunications and Utilities

In 1988 California established General Order 156, a supplier diversity policy for utility and telecommunication companies regulated by the California Public Utilities Commission. GO 156 requires companies to track and report information on their spending with minority-, women- and disabled veteran-owned businesses. This transparency fostered accountability and commitment from corporations, creating arguably the most successful supplier diversity initiative in the nation. Total contract dollars awarded to minority and women business enterprises from the utilities ballooned from \$2.6 million in 1986 to \$8.29 billion in 2014 — without any "set-asides" or mandates.

Insurance

Seeking to replicate the success of GO 156 in the insurance industry, the legislature passed AB 53 in 2012. Companies that collect over \$100 million in premiums must disclose data on procurement within the state.<sup>1</sup> Like its predecessor, AB 53 uses transparency to drive investment and has increased investment in four short years. In 2011 the Department of Insurance issued a voluntary data call, yielding just a 29 percent response rate.<sup>2</sup> Over 60 percent of companies responded to the Department’s first official data call in 2014. During this three-year period, contracts with diverse-owned businesses rose from \$930 million to \$1.5 billion.

Despite this considerable progress, policy alone does not guarantee increased investment from insurers for three major reasons:

1. Insurers are not required to procure goods in California and/or from diverse business enterprises in the state.
2. Insurers are deemed compliant as long as they respond to the California Department of Insurance’s request for contracting information. In other words, companies may respond with incomplete data or state they have no program.
3. AB 53 expires January 1, 2019.<sup>3</sup> Presumably, insurers “on the fence” with supplier diversity could wait to see if AB 53 will be extended before making a true commitment to supplier diversity. As the original sponsor of AB 53, Greenlining will work along other advocates to ensure this critical legislation is renewed.

California’s AB 53 galvanized insurance commissioners from Minnesota, New York, Oregon, Washington, and the District of Columbia to adopt similar efforts in 2016.<sup>4</sup> These six states will work together to disseminate the national Multistate Insurance Diversity Survey (MIDS) to promote supplier and governing board diversity in over 600 companies, representing 75 percent of the nation’s \$1.78 trillion insurance industry. Data from insurers in these states became publicly available in December 2016.<sup>5</sup>

GLOSSARY OF TERMS	
Supplier Diversity	A proactive business practice designed to provide diverse suppliers equal access to contracting opportunities.
MBE	Minority Business Enterprise. MBEs have at least 51 percent ownership by U.S. racial minorities.
Procurement/ Contracting	The purchase of goods and services from outside vendors for a company’s operations.
Tier 1	Supplier paid directly by companies for goods and/or services.
Tier 2	Subcontractors hired to assist Tier 1 suppliers with the production of goods and/or services. Tier 2 suppliers can either be contracted directly by corporations or by Tier 1 suppliers.

<sup>1</sup> Procurement data collected under AB 53 includes: 1) insurer’s supplier diversity policy statement and narrative, 2) outreach practices to diverse-owned businesses, and 3) quantitative information on diverse-owned businesses headquartered within the state of California with which they contract. Diverse-owned businesses include women-, minority-, disabled veteran-, and lesbian, gay, bisexual, transgender- owned businesses. For complete instructions, see: <https://www.insurance.ca.gov/diversity/10-isds/2015/upload/2015-ISD-Statistical-Plan.pdf>

METHODOLOGY

Greenlining analyzed supplier diversity data reported by insurers to better understand how the industry impacts minority business enterprises. Specifically, we focused on the 10 largest groups of companies, as defined by the premiums they collected from Californians. These companies made up 13 percent of the premiums collected in the state.

We did not include data from the CDI’s voluntary 2011 survey. Many companies were unsure how to report data during this baseline year. Since then, CDI issued clarifying instructions and conducted several outreach sessions to help ensure that the reporting process yields accurate data.

Table 1: Top Ten Insurance Groups, Ranked by 2014 Premiums		
Rank by Premiums	Total 2014 California Premiums (\$)	Company Group
1	5,751,972,384	State Farm Group
2	4,623,584,320	Farmers Insurance Groups of Companies
3	4,033,951,744	American International Group (AIG)
4	4,013,050,880	Anthem Blue Cross Life and Health Insurance Company
5	3,616,088,640	Prudential Insurance Company of America
6	2,846,106,000	Nationwide Group
7	2,797,891,888	Allstate Insurance Company
8	2,808,846,144	AEGON US Holding Group
9	2,616,232,928	Metropolitan (MET) Life Insurance Company
10	1,581,861,024	Geico Insurance Group
TOTAL	34,689,585,952	

Insurance Groups and Specialties

Under AB 53 insurers have the option to report data as individual companies or as a group (entities comprised of two or more subsidiary companies).<sup>6</sup> In 2015, 44 group reports (representing 178 companies) and 93 individual company reports were filed. Forty-four individual companies are represented in the 10 insurance groups featured in this report. Please refer to Appendix A for a complete list.

Due to their large premiums, all reporting insurers are considered major institutions in California. It is, however, also important to acknowledge the spectrum of specialties among the group. Table 2 lists the distribution of companies by insurance type. Many of these companies reported as part of a larger insurance group.

Table 2: Insurance Specialties			
Insurance Specialty	Definition	Number of Companies Covering this Specialty: Top 10 Insurance Groups	Number of Companies Covering this Specialty: All Insurance Groups
Property and Casualty	Protects against property losses to businesses, home or car and/or against legal liability that may result from injury or damage to the property of others.	29	126
Life	Protects against the loss of income that would result if the insured passed away.	14	90
Fraternal	Insurance offered by a fraternal benefit society, a nonprofit organization that offers insurance to its members.	0	1
Title	Protects loss of ownership interest in a property due to legal defects and is required if property is under mortgage.	0	6
Health	Pays for medical and surgical expenses.	1	3

RESULTS

Greenlining’s analysis revealed two major trends. First, many of the insurers lack fundamental metrics. Out of the 10 insurers, five did not report their overall procurement figures for California in 2014; two insurers did not disaggregate MBEs by ethnicity, and one insurer does not track its spending by business category. The absence of these basic measures makes it impossible to fully understand the distribution of their procurement and AB 53’s impact.

These 10 insurers made up 14.44% of all industry MBE spending in 2014

Second, overall contracting with MBEs was low with most insurers, with the exception of MetLife at 23.44 percent. Minority businesses received \$105 million in total from these major insurance groups, with spending ranging from just \$302,326 (Prudential) to \$38.58 million (MetLife).

Among those that did report their total procurement within California, just 3.29 percent went to minority business enterprises. Major disparities exist among ethnic groups and are further detailed in the report.

Table 3: MBE Spending by Dollar and Percent in California					
Rank by Premiums	Rank in MBE Procurement (\$)	Company Group	Total 2014 CA Procurement (\$)	2014 MBE Procurement (\$)	MBE share of total Procurement (%)
1	12	State Farm Group	618,519,813	10,790,160	1.74
2	17	Farmers Insurance Groups of Companies	477,406,434	4,541,390	0.95
3	8	American International Group (AIG)	Does Not Track	13,368,533	N/A
4	11	Anthem Blue Cross Life and Health Insurance Company	791,808,911	12,298,028	1.55
5	37	Prudential Insurance Company of America	Does Not Track	302,326	N/A
6	20	Nationwide Group	Does Not Track	2,689,744	N/A
7	6	Allstate Insurance Company	616,442,396	21,479,160	3.48
8	31	AEGON US Holding Group	Does Not Track	671,424	N/A
9	4	Metropolitan (MET) Life Insurance Company	164,587,828	38,582,746	23.44
10	33	Geico Insurance Group	Does Not Track	556,933	N/A
TOTAL			2,668,765,382	105,280,444	3.94

Ethnic Breakdown

As one of the most diverse states, California is home to the largest number of minority business enterprises in the nation.<sup>7</sup> A person of color owns nearly one out of every five firms. The 10 featured insurers in this report spent \$105.28 million with 404 of these businesses. When analyzing by ethnicity, however, 2014 contracts did not mirror the population or business ownership of the state<sup>ii</sup>

Out of all dollars the top 10 insurers spent with MBEs, Asian American business enterprises received 59.14 percent, Latino business enterprises came in at 12.33 percent, Multiethnic business enterprises received 6.52 percent, and both Native American and African American business enterprises each received less than 1 percent.

<sup>ii</sup> Figures do not add to 100 percent because two insurers, Allstate and AEGON, do not track by ethnicity and only provided figures for overall MBE spending.



*African American Business Enterprises*

The top 10 insurers spent just \$604,020, or 0.35 percent, of the \$173 million spent by all 226 reporting insurers with African American business enterprises.

**Table 4: 2014 California Spending with African American Business Enterprises**

Company Group	Total 2014 CA Procurement (\$)	Total 2014 MBE Procurement (\$)	Total African American Procurement (\$)	African American share of MBE Procurement (%)
State Farm Group	618,519,813	10,790,160	1,590	0.01
Farmers Insurance Groups of Companies	477,406,434	4,541,390	12,437	0.27
American International Group (AIG)	Does Not Track	13,368,533	42,421	0.32
Anthem Blue Cross Life and Health Insurance Company	791,808,911	12,298,028	1,000	0.01
Prudential Insurance Company of America	Does Not Track	302,326	294,124	97.29
Nationwide Group	Does Not Track	2,689,744	244,940	9.11
Allstate Insurance Company	616,442,396	21,479,160	N/A	N/A
AEGON US Holding Group	Does Not Track	671,424	N/A	N/A
Metropolitan (MET) Life Insurance Company	164,587,828	38,582,746	0	0.00
Geico Insurance Group	Does Not Track	556,933	7,508	1.35
<b>TOTAL</b>		105,280,444	604,020	0.57

*Asian American Business Enterprises*

The top 10 insurers spent \$62,545,791, or 18.95 percent, of the \$330 million spent by all 226 reporting insurers with Asian American business enterprises.

**Table 5: 2014 California Spending with Asian American Business Enterprises**

Company Group	Total 2014 CA Procurement (\$)	Total 2014 MBE Procurement (\$)	Total Asian American Procurement (\$)	Asian American share of MBE Procurement (%)
State Farm Group	618,519,813	10,790,160	10,753,902	99.66
Farmers Insurance Groups of Companies	477,406,434	4,541,390	4,465,174	98.32
American International Group (AIG)	Does Not Track	13,368,533	2,236,254	16.73
Anthem Blue Cross Life and Health Insurance Company	791,808,911	12,298,028	4,972,461	40.43
Prudential Insurance Company of America	Does Not Track	302,326	0	0.00
Nationwide Group	Does Not Track	2,689,744	1,075,353	39.98
Allstate Insurance Company	616,442,396	21,479,160	N/A	N/A
AEGON US Holding Group	Does Not Track	671,424	N/A	N/A
Metropolitan (MET) Life Insurance Company	164,587,828	38,582,746	38,566,942	99.96
Geico Insurance Group	Does Not Track	556,933	475,705	85.42
<b>TOTAL</b>		105,280,444	62,545,791	59.41

*Latino Business Enterprises*

The top 10 insurers spent \$12,985,148, or 8.89 percent, of the \$146 million spent by all 226 reporting insurers with Latino business enterprises.

**Table 6: 2014 California Spending with Latino Business Enterprises**

Company Group	Total 2014 CA Procurement (\$)	Total 2014 MBE Procurement (\$)	Total Latino Procurement (\$)	Latino share of MBE Procurement (%)
State Farm Group	618,519,813	10,790,160	216,632	2.01
Farmers Insurance Groups of Companies	477,406,434	4,541,390	63,779	1.40
American International Group (AIG)	Does Not Track	13,368,533	11,089,878	82.96
Anthem Blue Cross Life and Health Insurance Company	791,808,911	12,298,028	512,346	4.17
Prudential Insurance Company of America	Does Not Track	302,326	7,452	2.46
Nationwide Group	Does Not Track	2,689,744	1,057,210	39.31
Allstate Insurance Company	616,442,396	21,479,160	N/A	N/A
AEGON US Holding Group	Does Not Track	671,424	N/A	N/A
Metropolitan (MET) Life Insurance Company	164,587,828	38,582,746	15,804	0.04
Geico Insurance Group	Does Not Track	556,933	22,047	3.96
<b>TOTAL</b>		105,280,444	12,985,148	12.33

*Native American Business Enterprises*

Only two companies among the top 10 insurers contracted with Native American businesses. Together, Nationwide and Prudential spent \$312,994, or 0.80 percent, of the \$39 million all 226 reporting insurers spent with Native American business enterprises.

**Table 7: 2014 California Spending with Native American Business Enterprises**

Company Group	Total 2014 CA Procurement (\$)	Total 2014 MBE Procurement (\$)	Total Native American Procurement (\$)	Native American share of MBE Procurement(%)
State Farm Group	618,519,813	10,790,160	0	0
Farmers Insurance Groups of Companies	477,406,434	4,541,390	0	0
American International Group (AIG)	Does Not Track	13,368,533	0	0
Anthem Blue Cross Life and Health Insurance Company	791,808,911	12,298,028	0	0
Prudential Insurance Company of America	Does Not Track	302,326	750	0.25
Nationwide Group	Does Not Track	2,689,744	312,241	11.61
Allstate Insurance Company	616,442,396	21,479,160	N/A	N/A
AEGON US Holding Group	Does Not Track	671,424	N/A	N/A
Metropolitan (MET) Life Insurance Company	164,587,828	38,582,746	0	0
Geico Insurance Group	Does Not Track	556,933	0	0
<b>TOTAL</b>		105,280,444	312,991	0.30

Multiethnic Business Enterprises

Only two companies among the top 10 insurers contracted with Multiethnic businesses. Together, Anthem and Geico spent \$6,863,895, or 68.64 percent, of the \$10 million all 226 reporting insurers spent with multiethnic business enterprises.

Table 8: 2014 California Spending with Multiethnic Business Enterprises				
Company Group	Total 2014 CA Procurement (\$)	Total 2014 MBE Procurement (\$)	Total Multiethnic Procurement (\$)	Multiethnic share of MBE Procurement(%)
State Farm Group	618,519,813	10,790,160	0	0
Farmers Insurance Groups of Companies	477,406,434	4,541,390	0	0
American International Group (AIG)	Does Not Track	13,368,533	0	0
Anthem Blue Cross Life and Health Insurance Company	791,808,911	12,298,028	6,812,222	55.39
Prudential Insurance Company of America	Does Not Track	302,326	0	0
Nationwide Group	Does Not Track	2,689,744	0	0
Allstate Insurance Company	616,442,396	21,479,160	N/A	N/A
AEGON US Holding Group	Does Not Track	671,424	N/A	N/A
Metropolitan (MET) Life Insurance Company	164,587,828	38,582,746	0	0
Geico Insurance Group	Does Not Track	556,933	51,673	9.28
TOTAL		105,280,444	6,863,895	6.52

Contract Breakdown by Number of Suppliers, Size, and Industry

Number of Suppliers and Contract Size

Contract sizes provide critical context for how dollars — and opportunities — are distributed among suppliers. Typically, smaller contracts allow businesses to build a track record of success and maintain cash flow to employees. Larger contracts provide necessary funds for businesses to increase capacity, expand areas of service, and build financial cushions to ensure sustainability.

The 10 featured insurers in this report worked with 404 individual minority business enterprises, spending an average of \$260,595 with each. Prudential worked with the fewest suppliers — three in total — while Allstate engaged with the most at 233.

Please refer to Table 9 in Appendix D for data on each insurer.

Spending by Industry and Contract Size

Analyzing spending by industry indicates how central supplier diversity is to an insurer’s overall procurement process; the more contracting a business does in fields related to its operation, the more central. MBEs specializing in professional services, legal, and information technology are typically underrepresented in corporate America while contracts with security, facilities, and construction tend to make up the bulk of MBE spending.

The following table shows how insurers’ MBE spending was distributed in these five industries

Table 9: 2014 California MBE Spending by Industry, Contracts, and Suppliers				
	Total Dollars Paid to MBEs by All 226 Insurers (\$)	Total Number of Unique Paid Suppliers (#)	Total Dollars Paid to MBEs by Top 10 Insurers (\$)	Total Number of Unique Paid MBEs Suppliers (#)
Facilities	250,372,389	208	7,174,671	14
Information Technology	100,691,605	115	58,368,013	15
Claims Services	96,812,353	561	17,118,416	160
Professional Services	37,709,228	136	2,968,215	35
Advertising/Marketing	20,123,214	40	10,704,986	15

Please refer to Tables 10-15 in Appendix E for disaggregated data on each insurer.



## FINDINGS AND RECOMMENDATIONS

Supplier diversity is still an evolving model in California’s insurance industry, and we look to its leaders to set an example. Our analysis revealed some encouraging examples of contracting with minority business enterprises, but also significant disparities and deficiencies as we disaggregated the data in multiple categories.

The top 10 insurers have a long way to go before they become true leaders in supplier diversity. We look forward to tracking their 2015 progress in the upcoming Multistate Insurance Diversity Survey, available in December 2016.<sup>8</sup>

### Overall Findings

#### 1. Too many leading insurers still lack fundamental metrics to track spending.

Despite significant spending and AB 53’s requirements, many insurers still lack basic procurement metrics. Half of the top 10 insurers (AIG, Prudential, Nationwide, AEGON, and Geico) do not track their total procurement for California, and both Allstate and AEGON do not track MBEs by ethnicity. AEGON also fails to track its MBE spending by business category.

What gets measured gets done. Without these metrics, companies and their stakeholders are unable to fully understand the context of diverse spending. Further, insurers miss the ability to benchmark critical elements of their supplier diversity programs and identify opportunities for investment. As these insurers enter their fifth year of compliance, they must update their tracking systems to fully report under AB 53.

#### 2. The top 10 insurers’ spending varies greatly by ethnic group, industry, and contract size.

##### Ethnicity

Of the \$105 million the top 10 insurers spent with MBEs, just 0.57 percent (\$604,020) went to African American businesses, 59.41 percent (\$62.55 million) was spent with Asian Americans, 12.33 percent (\$12.99 million) with Latinos, 0.30 percent (\$312,990) went to Native Americans, and 6.52 percent (\$6.86 million) was spent with multiethnic business enterprises. Because neither Allstate nor AEGON track MBEs by ethnicity, over 20.87 percent (\$21.97 million) remains unaccounted for.

##### Industry

When examining the five largest contracting areas of all 226 insurers, we see similar trends. The top 10 insurers made up 28.06 percent of all dollars spent with minority Information Technology firms, 2.02 percent of all dollars with minority Advertising/Marketing firms, 8.60 percent of all dollars with minority Claims Services firms, 1.75 percent of all dollars with minority Professional Services firms, and just 1.40 percent of all dollars with minority Facilities firms.

##### Contract Size

Overall, the top 10 firms worked with 277 minority businesses in the five leading industry categories (Facilities, IT, Claims Services, Professional Services, and Advertising/Marketing). Over 69 percent of these businesses received contracts less than \$50,000 and just one minority business received a contract over \$10 million.

#### 3. The top 10 insurers demonstrated leadership in traditionally underrepresented industries.

Across sectors, minority business enterprises are usually underrepresented in core contracting industries, the industries that are central to entities’ operations. This often includes fields involving technology, professional services, and communications. Greenlining was pleased to see that the top 10 insurers had meaningful representation, compared to all insurers, in Claims Services and Information Technology.

### Company-Specific Findings (Ordered by California Premiums, Greatest to Least)

- 1. State Farm Group** is California’s largest insurer, collecting 16.58 percent of all premiums among the top 10 insurers. Unfortunately, this leadership was not reflected in its MBE spending. The company ranked 12th in total dollars spent with the minority business enterprises, and MBEs made up 1.74 percent of its total state procurement. Over 99.66 percent of its spending with MBEs in the state was with Asian American business enterprises.
- 2. Farmers Insurance Group of Companies** ranked 17<sup>th</sup> in total dollars spent with MBEs, though this only made up 0.95 percent of its state procurement. Like State Farm, Farmers did the vast majority of its MBE contracting with Asian American owned business enterprises, at 98.32 percent. The company issued contracts to nine individual minority business enterprises, with six of these companies in the five industries featured in this report.
- 3. American International Group (AIG)** ranked eighth in total dollars spent with MBEs, but does not track its total procurement in California. This prevented Greenlining from understanding the full extent of its supplier diversity program and commitment to MBEs. Of AIG’s total dollars spent with MBEs, 82.96 percent went to Latino business enterprises and 16.73 percent was spent with Asian American business enterprises.
- 4. Anthem Blue Cross Life and Health Insurance Company** ranked 11<sup>th</sup> in total dollars spent with minority business enterprises, which accounted for 1.55 percent of its total state spending. Contracting with Asian American business enterprises accounted for 40.43 percent of its spending with MBEs, and 55.39 percent of contracting was with multiethnic business enterprises.
- 5. Prudential Insurance Company of America** ranked 37<sup>th</sup> in total spending with MBEs, and is one of three insurers in the top 10 that spent less than \$1 million in this category. It spent just \$302,326 with MBEs over three contracts—none in the industries profiled in this report. Prudential does not track its overall state spending. Over 97.29 percent of its MBE spending was with African American business enterprises, making it the only insurer to spend over 10 percent with this group.
- 6. Nationwide Group** ranked 20<sup>th</sup> in total dollars spent with MBEs and does not track its total state spending. It is the only other company than Prudential to spend a significant proportion of overall MBE spending with African American business enterprises at 9.11 percent. Nationwide spent 39.98 percent of its MBE spending with Asian American business enterprises and 39.31 with Latino business enterprises. It is the only insurer in the top 10 to spend a significant amount with Native American business enterprises, \$2.69 million, which made up 11.61 percent of its total MBE spending.

7. **Allstate Insurance Company** ranked 6<sup>th</sup> in total dollars spent with MBEs, which accounted for 3.48 percent of its total spending in the state. It is one of two insurers to not track MBEs by ethnicity. Allstate worked with 233 of the 404 total MBE vendors utilized by the top 10 insurers, far more than any other group of companies. One hundred and forty-eight, or 63.52 percent, of Allstate’s MBEs were in the Claims Services category.
8. **AEGON US Holding Group** ranked 31<sup>st</sup> in total spending with MBEs in California, but does not disaggregate by ethnicity or even track its overall state spending. AEGON is one of the three insurers in this report to spend less than \$1 million with minority business enterprises, and worked with 67 individual MBEs. It had the highest number of individual contracts, 28, with Professional Service MBEs.
9. **Metropolitan (MetLife) Life Insurance Company** ranked 4<sup>th</sup> in total spending with MBEs in California—the highest of a top 10 insurer. This accounted for 23.44 percent of its overall state spending, far outpacing its peers. MetLife is the only top 10 insurer to spend \$0 with African American business enterprises, and 99.96 percent of its MBE dollars went to Asian American business enterprises. The insurer worked with 9 individual MBEs.
10. **Geico Insurance Group** ranked 33<sup>rd</sup> in total spending with MBEs, though it does not track its overall spending in California. Over 85.42 percent of its MBE spending was with Asian American business enterprises, and multiethnic business enterprises represented 9.28 percent. Geico worked with 10 individual MBEs, 7 specializing in Claims Services.

## Recommendations

1. **CDI must only accept complete reports; insurers cannot be allowed to “cherry pick” what data to report.** While the vast majority of entities respond to CDI’s data request, many submit incomplete data responses. The CDI should require complete reports from regulated entities and regard incomplete data as failure to comply.
2. **Insurers must learn from the supplier diversity successes of California’s utilities.** Like the insurance industry, utilities also struggled with their supplier diversity programs early on. Over the past 30 years, however, the industry became the nation’s “gold standard” for supplier diversity, with many companies spending over 40 percent with diverse businesses. Insurers must take the initiative to connect with and learn from these experienced trailblazers. Greenlining’s 2016 report card on California’s public utilities contains best practices and recommendations from leading utilities. It is available at: <http://greenlining.org/issues/2016/2016-supplier-diversity-report-card-californias-public-utilities/>
3. **The California Department of Insurance must research the best practices of leading insurers in supplier diversity.** In addition to quantitative data on insurers’ spending, CDI also collects qualitative information on the infrastructure of supplier diversity practices and programs. An analysis of common practices among leading insurers can provide valuable insight for supplier diversity stakeholders, especially those insurers just starting a program or seeking to increase spending.
4. **Both insurers and the CDI should track the economic impact of contracts on diverse owned businesses.** Proponents of supplier diversity know that contracts bring opportunities to communities, yet we have little data quantifying this impact. Stakeholders must capitalize on the existing data collection mechanisms in the insurance industry and establish metrics to fully understand the value-add of contracts. This process would allow insurers to refine supplier diversity strategies and provide further support for supplier diversity advocacy across industries.

5. **Insurers, ethnic chambers of commerce, and trade groups need to strategically partner to increase supplier diversity opportunities.** This report revealed a lack of investment in communities of color, particularly for African Americans and Native Americans. The leading insurers must devise a plan to rectify these disparities and work with MBE stakeholders. Ethnic chambers and trade groups have long existed to support small and diverse businesses in networking and technical assistance. A partnership with insurers can provide both potential vendors and insurers with the exposure critical to securing contracts.
6. **Insurance companies must take concrete steps to institutionalize supplier diversity.** Simply valuing supplier diversity cannot effect necessary change. Supplier diversity must be incorporated into every aspect of the procurement process — from budgeting to staffing. This includes robust metrics to track performance and having a dedicated supplier diversity professional — two elements many companies still lack. Greenlining questions the commitment to supplier diversity of insurers missing these basic elements.

## APPENDIX A

### Companies and Groups Featured in this Report

1. **State Farm Group**
  - a. State Farm General Insurance Company (Property and Casualty)
  - b. State Farm Life Insurance Company (Life)
  - c. State Farm Mutual Auto Insurance Company (Property and Casualty)
2. **Farmers Insurance Group of Companies**
  - a. 21st Century Insurance Company (Property and Casualty)
  - b. Farmers Insurance Exchange (Property and Casualty)
  - c. Fire Insurance Exchange (Property and Casualty)
  - d. Mid-Century Insurance Company (Property and Casualty)
  - e. Foremost Insurance Company Grand Rapids Michigan (Property and Casualty)
  - f. Truck Insurance Exchange (Property and Casualty)
  - g. Coast National Insurance Company (Property and Casualty)
  - h. Farmers New World Life Insurance Company (Life)
3. **American International Group (AIG)**
  - a. AIG Property Casualty Company (Property and Casualty)
  - b. American General Life Insurance Company (Life)
  - c. Granite State Insurance Company (Property and Casualty)
  - d. Insurance Company of the State of PA (Property and Casualty)
  - e. National Union Fire Insurance Company of Pittsburg (Property and Casualty)
  - f. New Hampshire Insurance Company (Property and Casualty)
  - g. Variable Annuity Life Insurance Company (Life)
4. **Anthem Blue Cross Life and Health Insurance Company** (Health)
5. **Prudential Insurance Company of America**
  - a. Pruco Life Insurance Company (Life)
  - b. Prudential Insurance Company of America (Life)

## 6. Nationwide Group

- a. Allied Property and Casualty Insurance Company (Property and Casualty)
- b. AMCO Insurance Company (Property and Casualty)
- c. Nationwide Agribusiness Insurance Company (Property and Casualty)
- d. Nationwide Insurance Company of America (Property and Casualty)
- e. Nationwide Life and Annuity Insurance Company (Life)
- f. Nationwide Life Insurance Company (Life)
- g. Nationwide Mutual Insurance (Property and Casualty)

## 7. Allstate Insurance Company

- a. Allstate Indemnity Company (Property and Casualty)
- b. Allstate Insurance Company (Property and Casualty)
- c. Allstate Life Insurance Company (Property and Casualty)
- d. Allstate Northbrook Indemnity Company (Property and Casualty)
- e. Lincoln Benefit Life Company (Life)

## 8. AEGON US Holding Group

- a. Transamerica Financial Life Insurance Company (Life)
- b. Transamerica Life Insurance Company (Life)
- c. Transamerica Premier Life Insurance Company (Life)

## 9. Metropolitan (MetLife) Life Insurance Company

- a. Metropolitan Direct Property & Casualty Insurance Company (Property and Casualty)
- b. Metropolitan Investors USA Insurance Company (Life)
- c. Metropolitan Life Insurance Company (Life)

## 10. GEICO Insurance Group

- a. GEICO Casualty Company (Property and Casualty)
- b. GEICO General Insurance Company (Property and Casualty)
- c. GEICO Indemnity Company (Property and Casualty)
- d. Government Employees Insurance Company (Property and Casualty)

# APPENDIX B

## Companies that Spend Zero Dollars with Diverse Businesses in California<sup>10</sup>

### 1. AAA Life Insurance Company

### 2. Allianz Life Insurance Company of North America

### 3. American Equity Investment Life Insurance Company

### 4. American Modern Insurance Group

- a. American Family Home Insurance Company
- b. American Modern Home Insurance Company
- c. American Modern Property & Casualty Insurance Company
- d. American Southern Home Insurance Company

### 5. Ameritas Life Insurance Corporation

### 6. Athene Annuity and Life Company

### 7. CAN Insurance Companies

- a. American Casualty Company of Reading, Pennsylvania
- b. Continental Casualty Company
- c. National Fire Insurance Company of Hartford
- d. Surety Bonding Company of America
- e. The Continental Insurance Company
- f. Transportation Insurance Company
- g. Universal Surety of America
- h. Valley Forge Insurance Company
- i. Western Surety Company

### 8. Companion Property & Insurance Company

### 9. IDS Property Casualty Insurance Company

### 10. PHL Variable Insurance Company

### 11. Protective Life Insurance Company

- a. Protective Life Insurance Company
- b. West Coast Life Insurance Company

### 12. Reliance Standard Life Insurance Company

### 13. RiverSource Life Insurance Company

### 14. Sun Life Assurance Company of Canada

### 15. Time Insurance Company

### 16. United of Omaha Life Insurance Company

### 17. Unum Group

- a. Colonial Life & Accident Insurance Company
- b. Provident Life & Accident Insurance Company
- c. Unum Life Insurance Company of America

APPENDIX C

Companies that Do Not Track Procurement with Diverse Suppliers<sup>11</sup>

1. ACE American Insurance Company
2. Mutual of America Life Insurance Company
3. Primerica Life Insurance Company
4. Safety National Casualty Corporation

APPENDIX D

California Spending with Individual MBEs

Table 10: 2014 California Spending with Individual MBEs			
Company Group	individual Paid Suppliers	2014 MBE Procurement (\$)	2014 Average Spending per MBE
State Farm Group	19	10,790,160	567,903
Farmers Insurance Groups of Companies	9	4,541,390	504,599
American International Group (AIG)	19	13,368,533	703,607
Anthem Blue Cross Life and Health Insurance Company	20	12,298,028	614,901
Prudential Insurance Company of America	3	302,326	100,775
Nationwide Group	15	2,689,744	179,316
Allstate Insurance Company	233	21,479,160	92,185
AEGON US Holding Group	67	671,424	10,021
Metropolitan (MET) Life Insurance Company	9	38,582,746	4,286,972
Geico Insurance Group	10	556,933	55,693
TOTAL	404	105,280,444	260,595

APPENDIX E

California Spending by Industry and Contract Size

Table 11: 2014 Spending with MBEs in Facilities Contracts									
Facilities Company Group	Total MBE Spending in Industry (\$)	CONTRACT RANGE (\$)							Total Number of Paid Suppliers
		<\$50K	>=\$50K but <\$100K	>=\$100K but <\$500K	>=\$500K but <\$1M	>\$1M but <\$5M	>\$5M but <\$10M	>=\$10M	
State Farm Group	4,258	3	0	0	0	0	0	0	3
Farmers Insurance Groups of Companies	19,024	1	0	0	0	0	0	0	1
American International Group (AIG)	8,175	1	0	0	0	0	0	0	1
Anthem Blue Cross Life and Health Insurance Company	6,812,222	0	0	0	1	0	0	0	1
Prudential Insurance Company of America	0	0	0	0	0	0	0	0	0
Nationwide Group	17,931	1	0	0	0	0	0	0	1
Allstate Insurance Company	215,644	3	1	1	0	0	0	0	5
AEGON US Holding Group	8,925	5	0	0	0	0	0	0	5
Metropolitan (MET) Life Insurance Company	88,492	0	0	0	0	0	0	0	0
Geico Insurance Group	0	0	0	0	0	0	0	0	0
TOTAL	7,174,671	14	1	1	1	0	0	0	17

Table 12: 2014 Spending with MBEs in Information Technology Contracts

Information Technology Company Group	Total MBE Spending in Industry (\$)	CONTRACT RANGE (\$)							Total Number of Paid Suppliers
		<\$50K	>=\$50K but <\$100K	>=\$100K but <\$500K	>=\$500K but <\$1M	>\$1M but <\$5M	>\$5M but <\$10M	>=\$10M	
State Farm Group	444,525	1	2	2	0	0	0	0	5
Farmers Insurance Groups of Companies	4,020,606	2	1	0	0	1	0	0	4
American International Group (AIG)	10,890,600	3	0	0	0	0	0	0	3
Anthem Blue Cross Life and Health Insurance Company	3,751,669	2	0	2	0	1	0	0	5
Prudential Insurance Company of America	0		0	0	0	0	0	0	0
Nationwide Group	1,002,572	2	2	2	0	0	0	0	6
Allstate Insurance Company	57,244	4	0	0	0	0	0	0	4
AEGON US Holding Group	5,454	0	0	0	0	0	0	0	0
Metropolitan (MET) Life Insurance Company	38,195,343	1	1	1	0	0	0	1	4
Geico Insurance Group	0	0	0	0	0	0	0	0	0
TOTAL	58,368,013	15	6	7	0	2	0	1	31

Table 13: 2014 Spending with MBEs in Claims Service Contracts

Claims Service Company Group	Total MBE Spending in Industry (\$)	CONTRACT RANGE (\$)							Total Number of Paid Suppliers
		<\$50K	>=\$50K but <\$100K	>=\$100K but <\$500K	>=\$500K but <\$1M	>\$1M but <\$5M	>\$5M but <\$10M	>=\$10M	
State Farm Group	3,233	2	0	0	0	0	0	0	2
Farmers Insurance Groups of Companies	0	0	0	0	0	0	0	0	0
American International Group (AIG)	0	0	0	0	0	0	0	0	0
Anthem Blue Cross Life and Health Insurance Company	0	0	0	0	0	0	0	0	0
Prudential Insurance Company of America	0	0	0	0	0	0	0	0	0
Nationwide Group	272,979	3	0	1	0	0	0	0	4
Allstate Insurance Company	16,783,023	148	15	32	4	2	0	0	201
AEGON US Holding Group	0	0	0	0	0	0	0	0	0
Metropolitan (MET) Life Insurance Company	0	0	0	0	0	0	0	0	0
Geico Insurance Group	59,181	7	0	0	0	0	0	0	7
TOTAL	17,118,416	160	15	33	4	2	0	0	212

Table 14: 2014 Spending with MBEs in Professional Services Contracts

Professional Services Company Group	Total MBE Spending in Industry (\$)	CONTRACT RANGE (\$)							Total Number of Paid Suppliers
		<\$50K	>=\$50K but <\$100K	>=\$100K but <\$500K	>=\$500K but <\$1M	>\$1M but <\$5M	>\$5M but <\$10M	>=\$10M	
State Farm Group	630	1	0	0	0	0	0	0	1
Farmers Insurance Groups of Companies	31,720	1	0	0	0	0	0	0	1
American International Group (AIG)	0	0	0	0	0	0	0	0	0
Anthem Blue Cross Life and Health Insurance Company	166,063	1	0	1	0	0	0	0	2
Prudential Insurance Company of America	0	0	0	0	0	0	0	0	0
Nationwide Group	0	0	0	0	0	0	0	0	0
Allstate Insurance Company	1,712,591	2	1	2	2	0	0	0	7
AEGON US Holding Group	559,459	28	0	2	0	0	0	0	30
Metropolitan (MET) Life Insurance Company	0	0	0	0	0	0	0	0	0
Geico Insurance Group	497,752	2	0	1	0	0	0	0	3
TOTAL	2,968,215	35	1	6	2	0	0	0	44

**Table 15: 2014 Spending with MBEs in Advertising/Marketing Contracts**

Advertising/Marketing Company Group	Total MBE Spending in Industry (\$)	CONTRACT RANGE (\$)							Total Number of Paid Suppliers
		<\$50K	>=\$50K but <\$100K	>=\$100K but <\$500K	>=\$500K but <\$1M	>\$1M but <\$5M	>\$5M but <\$10M	>=\$10M	
State Farm Group	10,088,364	1	0	1	0	0	0	1	3
Farmers Insurance Groups of Companies	0	0	0	0	0	0	0	0	0
American International Group (AIG)	48,469	3	0	0	0	0	0	0	3
Anthem Blue Cross Life and Health Insurance Company	324,736	2	1	1	1	0	0	0	4
Prudential Insurance Company of America	0	0	0	0	0	0	0	0	0
Nationwide Group	19,500	1	0	0	0	0	0	0	1
Allstate Insurance Company	0	0	0	0	0	0	0	0	0
AEGON US Holding Group	11,344	7	0	0	0	0	0	0	7
Metropolitan (MET) Life Insurance Company	212,573	1	0	1	0	0	0	0	2
Geico Insurance Group	0	0	0	0	0	0	0	0	0
	10,704,986	15	1	3	1	0	0	1	20

## SOURCES

<sup>1</sup> The World Bank. Chile. *GDP by Country*. 2016. Web. 17 Jan. 2017.

<http://data.worldbank.org/country/chile>

<sup>2</sup> Insurance Diversity Data Call. *California Department of Insurance*. 2012. Web. 17 Jan. 2017.

<https://www.insurance.ca.gov/diversity/10-isds/upload/2011-Voluntary-Survey-Results-Presentation.pdf>

<sup>3</sup> AB 53- CHAPTERED. *California Legislature*. 21 Sept. 2012. Web. 17 Jan. 2017.

[http://leginfo.ca.gov/faces/billNavClient.xhtml?bill\\_id=201120120AB53](http://leginfo.ca.gov/faces/billNavClient.xhtml?bill_id=201120120AB53)

<sup>4</sup> MIDS Survey. *California Department of Insurance*. 2 May 2016. Web. 17 Jan. 2017.

<https://www.insurance.ca.gov/0400-news/0100-press-releases/2016/release040-16.cfm>

<sup>5</sup> MIDS Survey. *California Department of Insurance*. 2 May 2016. Web. 17 Jan. 2017.

<https://www.insurance.ca.gov/diversity/12-mids/upload/MIDS-Joint-Letter.pdf>

<sup>6</sup> Insurance Diversity Data Call Narrative Form. *California Department of Insurance*. 2012. Web. 17 Jan. 2017.

<https://www.insurance.ca.gov/diversity/10-isds/2015/upload/2015-USD-Narrative-COPY.pdf>

<sup>7</sup> 2007 Data on Minority-Owned Businesses by State and Group. *Minority Business Development Agency*. 2007.

Web. 17 Jan. 2017. [http://www.mdba.gov/sites/default/files/MBEStateData\\_20120127.pdf](http://www.mdba.gov/sites/default/files/MBEStateData_20120127.pdf)

<sup>8</sup> MIDS Survey." *California Department of Insurance*. 2 May 2016. Web. 17 Jan. 2017.

<https://www.insurance.ca.gov/diversity/12-mids/upload/MIDS-Joint-Letter.pdf>

<sup>9</sup> Insurance Diversity Data Call Narrative Form. *California Department of Insurance*. 2012. Web. 17 Jan.

2017.<https://www.insurance.ca.gov/diversity/10-isds/2015/upload/USD-2015-AEGON-US-Holding-Group-468.pdf>

<sup>10</sup> Insurance Diversity Data 2015 Reports. *California Department of Insurance*. 2012. Web. 17 Jan.

2017.<https://www.insurance.ca.gov/diversity/10-isds/2015/2015-USD-Reports.cfm>

<sup>11</sup> Insurance Diversity Data Results. *California Department of Insurance*. 2012. Web. 17 Jan. 2017.<https://www.insurance.ca.gov/diversity/10-isds/2015/2015-USD-Reports.cfm>



**MARCH 2017**



The Greenlining Institute



@Greenlining



The Greenlining Institute



#### GREENLINING BOARD OF DIRECTORS

ORTENSIA LOPEZ	TATE HILL
GEORGE DEAN	DENNIS HUANG
ROBERT J. APODACA	HYEPIN IM
ALFRED FRAIJO, JR.	DARLENE MAR
YUSEF FREEMAN	OLGA TALAMANTE
NOEMÍ GALLARDO	TUNUA THRASH-NTUK

ORSON AGUILAR, PRESIDENT

THE GREENLINING INSTITUTE  
360 14TH STREET, 2ND FLOOR  
OAKLAND, CA 94612  
[WWW.GREENLINING.ORG](http://WWW.GREENLINING.ORG)

T: 510.926.4001 | F: 510.926.4010